

SUMMER FOOD SERVICE PROGRAM – PROGRAM FINANCES

**TEXAS DEPARTMENT OF
AGRICULTURE, FOOD &
NUTRITION DIVISION**

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Assumptions

- We are all here because we believe in the importance of helping feed the children of Texas
- We are all here to improve the administrative & operations of the SFSP Program
- When it comes to Finance/Accounting our backgrounds are varied

Presentation Focus

- Program Finance & Recordkeeping Fundamentals
- Basic Best Practice Ideas

Takeaways

- Less Experienced Contracting Entities (CE) – a basic introduction to the world of Financial Management & what to do to be Program compliant
- More Experienced CE – a refresher course on Financial Management and perhaps some helpful hints
- All CEs – Opportunity to discuss questions around Financial Management practices

To address the requirements of an adequate Financial Management System (FMS)

- To show what is required from CEs to demonstrate proper Financial Management

To assist CE in preparation of regulatory oversight (administrative reviews, claim validation, etc.)

- TDA wants to set clear expectations so CEs can be adequately prepared
 - making administrative reviews faster & less stressful for everyone

To introduce examples of best practices to consider

***Disclaimer:** The examples and ideas included are meant as viable options to teach and provide additional guidance to each CE. There are other approaches not addressed in this presentation that can be utilized to demonstrate adequate FMS. Please refer to applicable Federal & State regulations for additional guidance.*

Finance

The way in which money is used and handled

- Source: <http://www.merriam-webster.com/dictionary/finance>

Financial Management

Is the aspect of management which is directed to the effective control over, and accountability for, all funds, property, and other assets to assure that they are safeguarded and used efficiently to fulfill authorized purposes.

- Source: FNS Instruction 796-4, Rev. 4 (Financial Management – Summer Food Service Program for Children)
- Translation – A CE looks after and manages all its money and other assets for allowable purposes and in the best manner possible

Financial Management - continued

Financial management includes such activities as:

- budgeting
- accounting
- costing standards
- management of property
- procurement standards
- and fiscal audits

Records of these activities must be supported by source documents to accurately and completely disclose the sources and application of funds –
Recordkeeping

Number one finding we come across during Administrative reviews is a lack of sufficient documentation!

Financial Management - continued

FNS Instruction 796-4, Rev. 4 addresses acceptable financial management standards.

- At a minimum, a financial management system shall provide:
 - Accounting records supported by source documents.
 - Records showing source and application of funds.
 - Accurate, current, and complete disclosure of financial transactions.
 - Full control over and accountability for all Program assets.
 - Comparison of actual outlays against budgeted amounts.
 - Organization-wide audits.
 - Systematic method to resolve audit findings in timely manner.

Financial Records vs. Financial Management System (FMS)

Financial Records (examples)

- Invoices
- Cancelled Checks
- Bank Statements
- Payroll Summaries

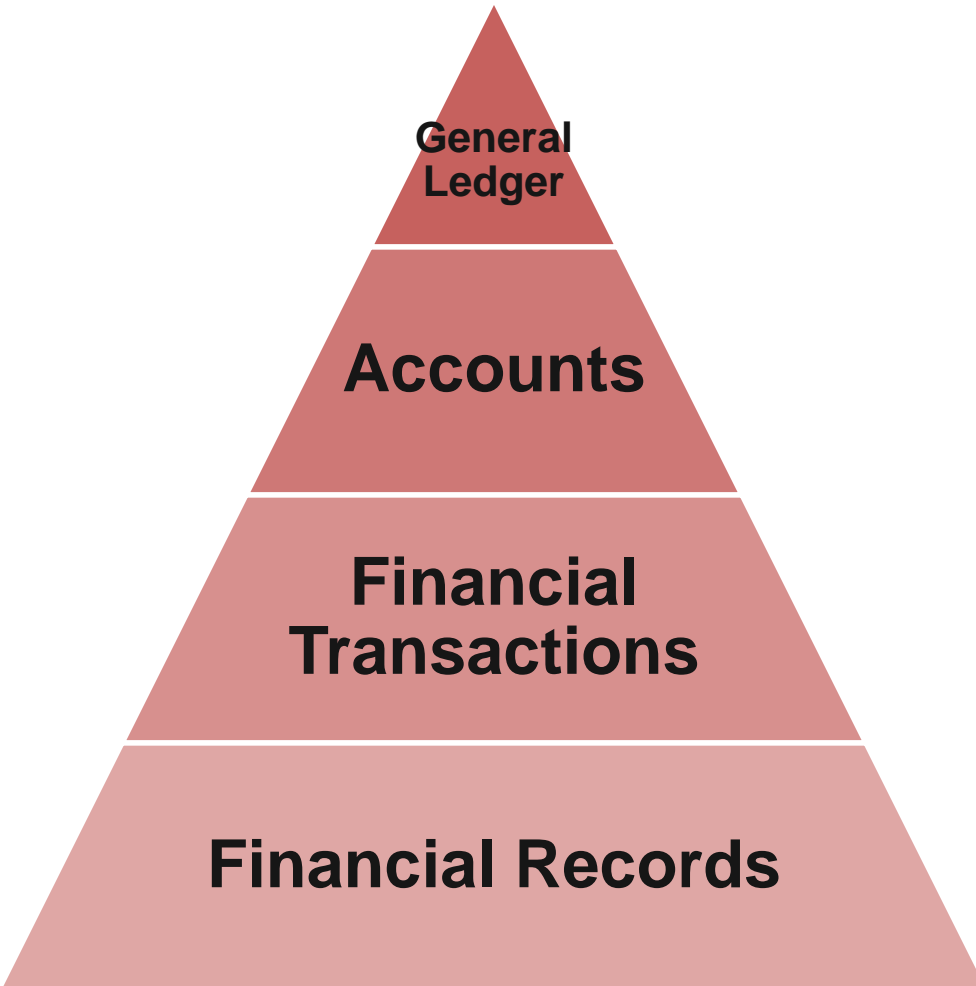
Financial Management System

- Is the collection and organization of these records through a system/process that ensures clear, accurate and complete disclosure of an organization's financial activities and current status

Financial Records vs. Financial Management System (FMS) - continued

- THE RECORDS ARE THE PUZZLE PIECES AND THE FINANCIAL MANAGEMENT SYSTEM IS THE PROCESS & COMPLETION OF THE PUZZLE
- WITHOUT ALL THE PIECES IN PLACE, YOU DON'T SEE THE FULL PICTURE!!





Helpful Definitions

- General Ledger
- Accounts
- Financial Transactions
- Financial Records

Common Mistakes We Will Discuss in this Presentation

- One-Sided Entry System instead of Double-Sided Entry System
- Lack of Appropriate Supporting Documentation
- Cash Withdrawals (**STAY AWAY WHEN AT ALL POSSIBLE**)
- Insufficient Document Retention
- Lack of Classifying/Coding Transactions
- Lack of Reconciliations
- Inaccurate Budgeting
- Absence of Adequate Internal Controls

Bookkeeping 101

Before we continue, the ideas and topics presented are basic accounting practices that all organizations should be able to do.

- Bookkeeping 101 Examples
 - Double-Sided Entry System
 - Document Retention
 - Classifying/Coding Transactions
 - Use of Internal Controls

One-Sided Entry System instead of Double-Sided Entry System

- Double-Sided Entry Accounting – means reflecting both sides of a transaction

Spending \$100 in cash means (supporting documentation may be a cancelled check and bank statement)...



...incurring a cost for \$100 (food, supplies, etc) – (an example of supporting documentation is an itemized invoice)

One-Sided Entry System instead of Double-Sided Entry System - continued

Double-sided entry accounting is based on the fact that every financial transaction has an equal and opposite effect on at least two different accounts (a complete entry)

Debits (left-side of an entry) & Credits (right-side of an entry)

	Cash		TDA Revenue		Food Costs	
	Debit	Credit	Debit	Credit	Debit	Credit
TDA Advance	50,000.00			50,000.00		
Purchase of Food		17,350.00			17,350.00	

Please refer to General Ledger handout provided

As part of an Administrative Review, TDA will request supporting documentation for each costs tested, we want to see supporting documentation that:

1. Allows TDA to **CLEARLY** determine what the cost was for & if it is allowable under the Program
2. Allows TDA to **CLEARLY** determine that the cost was paid for or evidence that it will be paid for in a timely fashion
3. CLEARLY = making the above determinations with zero or limited inquiry

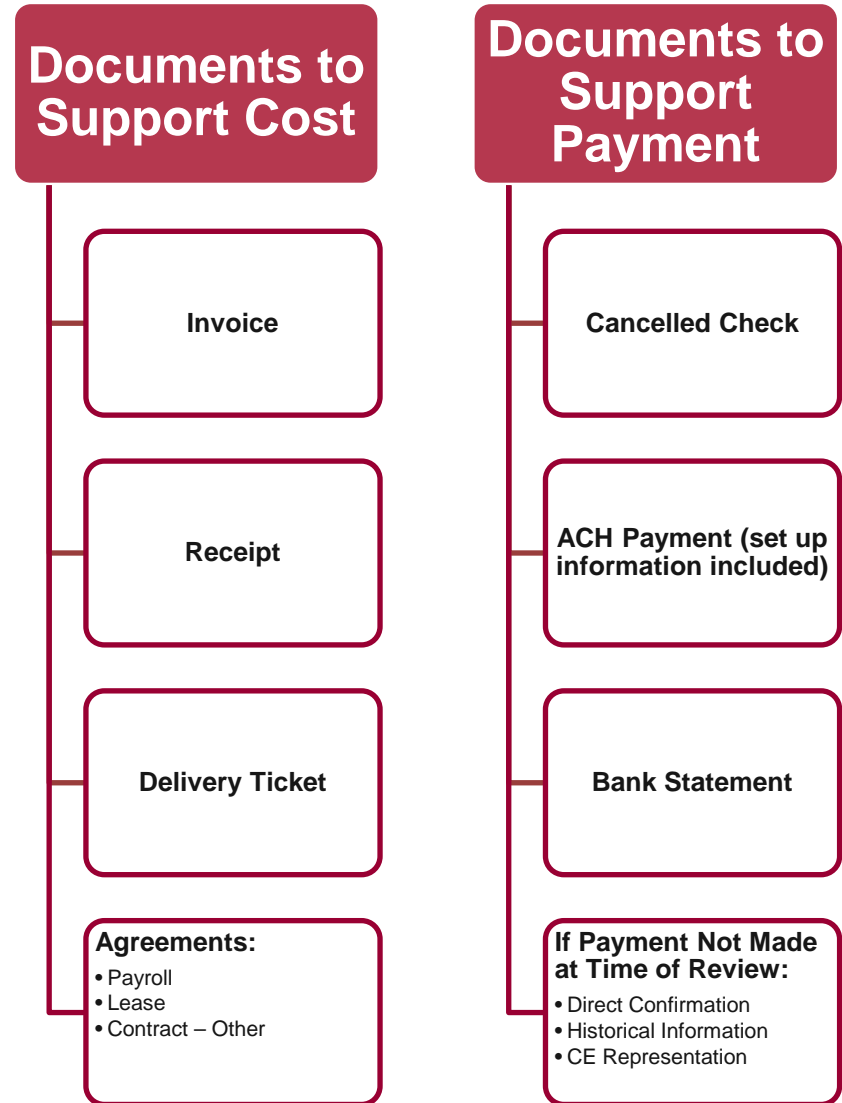
Documentation should support the cost in regard to

- **When** it happened
- **How much** it costs
- **What** items were purchased (itemized detail)
- **Program allowability** = cost is allowable under the program based upon regulations

NO cost is allowable without documentation

Document retention requirement is 3 years

Types of Documentation



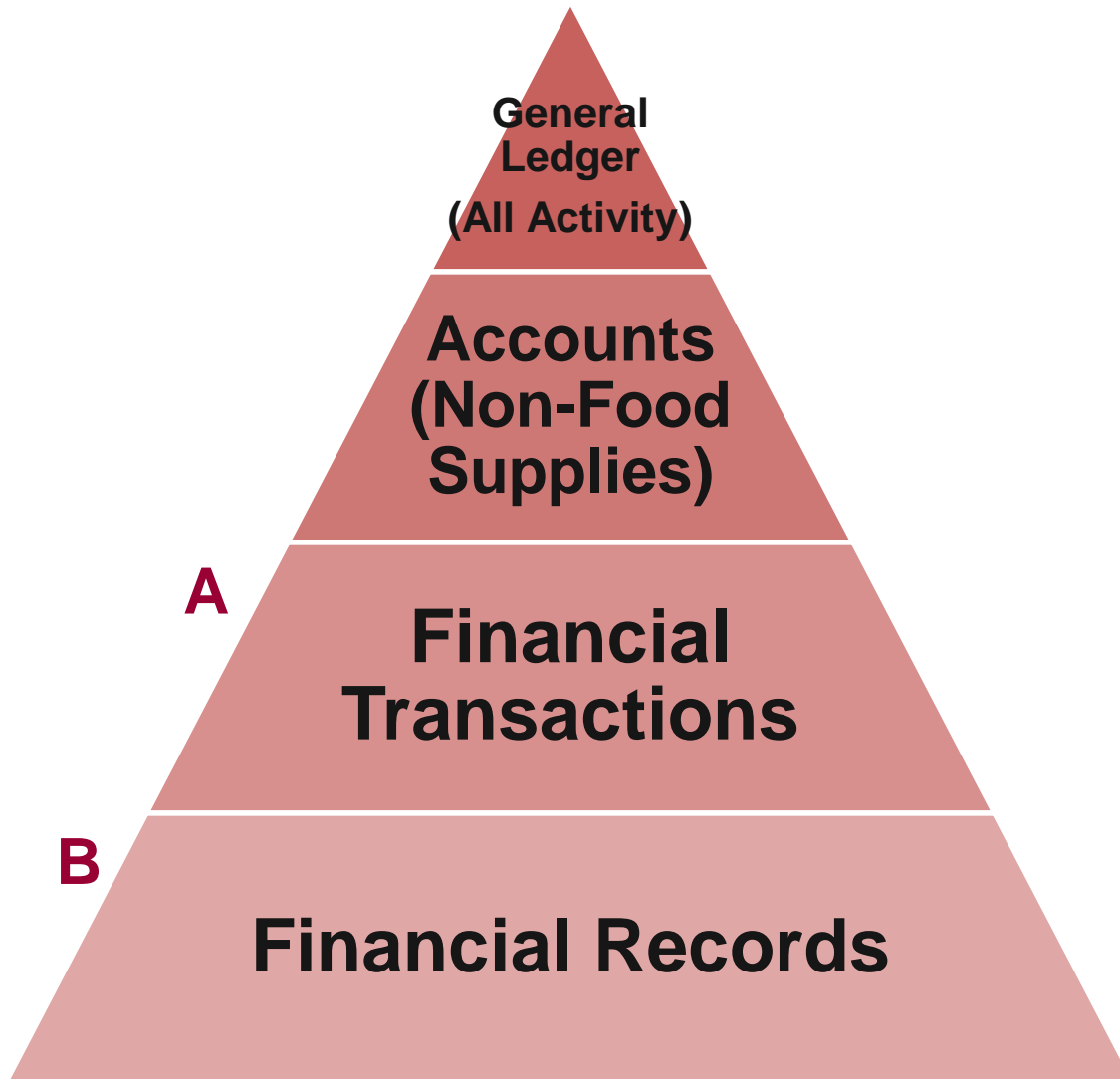
Supporting Documentation Example

We will focus on the following transaction for this example:

<u>Acct #</u>	<u>Acct Desc.</u>	<u>Date</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>
5005	Non-Food Supplies	6.12.XX	Check #106	Food Supply, Inc.	1,320.00

Below is the account detail per the General Ledger handout:

<u>Acct #</u>	<u>Acct Desc.</u>	<u>Date</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>
5005	Non-Food Supplies	6.4.XX	Check #103	Walmart	432.00
5005	Non-Food Supplies	6.5.XX	Check #104	Target	176.00
5005	Non-Food Supplies	6.8.XX	Check #105	HEB	58.00
5005	Non-Food Supplies	6.12.XX	Check #106	Food Supply, Inc.	1,320.00
5005	Non-Food Supplies	6.15.XX	Check #107	Walmart	<u>94.00</u>
					<u><u>2,080.00</u></u>



A. Payment to:

- Food Supply, Inc.,
- with check #106,
- on 6.12.XX
- for \$1,320

B. Financial Records:

- Invoice
- Cancelled Check
- Bank Statement

Supporting Documentation Example

– continued

Question: What would be considered acceptable supporting documentation to TDA to determine the character of this transaction?

Answer: A Vendor Prepared Invoice which includes when, where, what and why cost incurred

Note: *Cost incurred is considered to be **UNALLOWABLE** until the CE provides evidence to support its **ALLOWABILITY** within the Program*



INVOICE

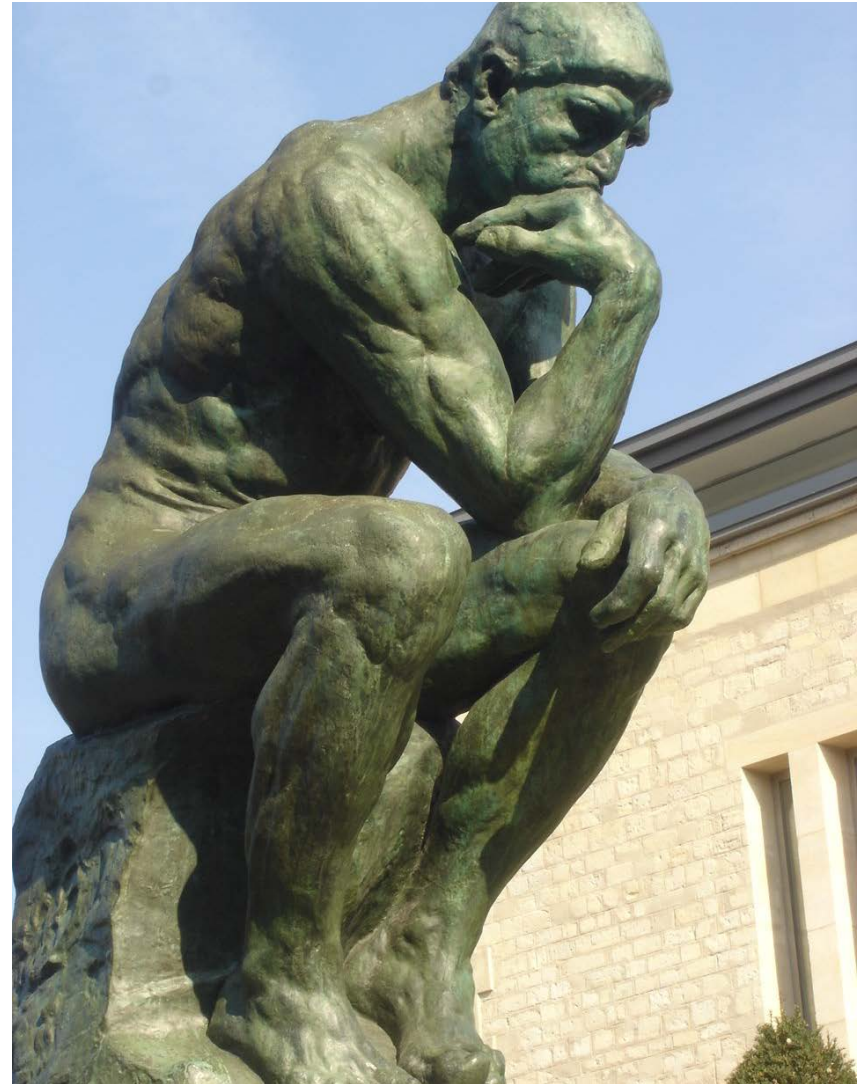
Food Supply, Inc. 7777 Food Avenue Anywhere, TX 12345				
INVOICE				
Date	6.12.XX			
To	Super Awesome CE 123 Main Avenue Anywhere, Texas 12345			
Invoice #	87642			
Purchase	Item	Quantity	Cost	Total Cost
	Coolers	8.00	100.00	800.00
	Tennis Shoes	2.00	50.00	100.00
	Warmers	3.00	80.00	240.00
	Food Containers	9.00	20.00	<u>180.00</u>
				<u>1,320.00</u>

1. Vendor information per invoice should match to FMS – *vendor match*
2. Date per invoice agrees to FMS – *date match*
3. Purchaser should match exactly to CE information – *purchase match*
4. Itemized detail provided to determine allowability
5. Cost per invoice agrees to FMS

Note: Overall review is also done for reasonableness

Exercise

- Review the invoice. What is something you or another reviewer might notice about this invoice?



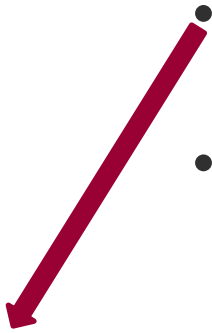
Answer to Question 1

- **Unallowable Expense Included**
 - Tennis shoes at a cost of \$100 appears to be unallowable (not used for Program operations)
 - This amount is shown as a Program expense per General Ledger handout
 - This would be considered a finding during an Administrative Review

Food Supply, Inc. 7777 Food Avenue Anywhere, TX 12345				
INVOICE				
Date	6.12.XX			
To	Super Awesome CE 123 Main Avenue Anywhere, Texas 12345			
Invoice #	87642			
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	Warmers	3.00	80.00	240.00
	Food Containers	9.00	20.00	<u>180.00</u>
				<u>1,320.00</u>
tennis shoes are not allowable under the program (acct NP1)				(100.00)
total program cost (acct 5005) <i>* reviewed by So & So</i>				1,220.00

Examples of what we would like to see

- CE reviewed & coded invoice
- Double-Sided Account Entry - remember this?



"Double-Sided Accounting Entry"

	Cash		Non-Food Supplies		Non Program Expense	
	Debit	Credit	Debit	Credit	Debit	Credit
Food Supply, Inc.		1,320.00	1,220.00		100.00	

Additionally, TDA will need to confirm that the invoice was actually paid

Examples:

- Cancelled Check
- Bank Draft or ACH Transaction (set up information)
- Bank Statement

Examples (if payment has not yet been made):

- Direct Confirmation with Vendor
- Review of Payment History with Vendor
- CE Representation

		1 0106
Super Awesome CE 123 Main Avenue Anywhere, Texas 12345	Date: July 15, 20XX	
		3, 4
Pay to the Order of:	Food Supply, Inc. 2	\$2,100.00
	Two Thousand One Hundred & 11/100	Dollars
	USA Bank of FN 444 Bank Road Anywhere, Texas 12345	
For:	<i>Super Awesome</i>	
XXXXXXXXXXXXXXXXXXXXXXXXXX		

1. Agree check # to FMS
2. Agree vendor to FMS & invoice
3. Agree amount to FMS
4. Agree amount to invoice

Note: Overall review is also done for reasonableness

****** Invoice amount **DOES NOT** equal check amount. It is the responsibility of the CE to reconcile this difference.

Most likely reason for difference is that the check paid for additional Program or non-Program invoices (CE should have retained this documentation as well)

BANK STATEMENT					
USA Bank of FN 444 Bank Road Anywhere, Texas 12345	Checking Account Statement Page 1 of 1				Account Number XXXXXX
	Statement Period 6.1.20XX to 6.30.20XX				
Super Awesome CE 123 Main Avenue Anywhere, Texas 12345	Date	Ref.	Credits	Debits	Balance
	6.1.XX	-			-
	6.1.XX	Deposit	10,000.00		10,000.00
	6.1.XX	Deposit	50,000.00		60,000.00
	6.3.XX	100		17,350.00	42,650.00
	6.3.XX	Withdrawal		1,000.00	41,650.00
	6.4.XX	102		448.00	41,202.00
	6.4.XX	103		659.00	40,543.00
	6.5.XX	104		176.00	40,367.00
	6.6.XX	ACH		653.00	39,714.00
	6.8.XX	105		58.00	39,656.00
	6.12.XX	106		2,100.00	37,556.00
	6.15.XX	107		94.00	37,462.00
	6.15.XX	109		480.00	36,982.00
	6.15.XX	110		21,432.00	15,550.00
	6.15.XX	111		1,854.00	13,696.00
	6.20.XX	112		750.00	12,946.00
6.30.XX	Deposit	50,000.00		62,946.00	

1. Agree check amount to bank statement amount

Note: Copies of cancelled checks are often attached to bank statements

- If check has not cleared the bank, TDA may attempt the following:
 - Direct Vendor Confirmation
 - Vendor Payment History Review
 - CE Representation

A CE is not precluded from utilizing cash withdrawals during Program operations. However, the same financial management system requirements still apply.

A copy of the withdrawal slip or check made out to cash, alone, is not acceptable support for the cost – All this proves is that cash was removed from the CE bank account not a justification of cost

Regardless of CE intent, cash withdrawals are considered a higher risk transaction by nature in the accounting profession and generally result in increased TDA scrutiny

BEST PRACTICE: Avoid the use of cash withdrawals for Program!!

If a cash withdrawal is deemed necessary the CE should consider preparing a detail as follows for **EVERY** cash withdrawal:

Transaction	Amount		Memo
Cash Withdrawal on 6.3.XX	1,000.00	1	
Fresh Produce Stand, LLC	(623.00)	2	Produce purchased for SFSP lunch
Signage U.S.A.	(233.00)	2	Signs for outside of various SFSP sites
Buffett to Go, Inc.	<u>(144.00)</u>	2	Lunch for site staff as a thank you (Unallowable)
	-		3

1. This amount should agree to the bank statement as well as FMS
2. These amounts should be supported by invoices/receipts as demonstrated on previous slides
3. Unallowable costs should be clearly identified AND not included in FMS as Program costs (see General Ledger handout) – Do not provide financial information as program activity that includes unallowable cost

7 CFR Part 225.15 (c)(1) states “Sponsors shall maintain accurate records which justify all costs and meals claimed. Failure to maintain such records may be grounds for denial of reimbursements for meals serviced and/or administrative costs claimed during the period covered by the records in question. The sponsor’s records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.”

- All costs – every cost should be supported by documentation
- Meals claimed – daily meal counts, weekly meal counts, monthly meal counts, etc. reconcile and match the total meals claimed for the period
- At all times – when records are requested, they should be readily available
- Three years – while unusual, requests for any of the previous 3 Program years must be available *at all times*

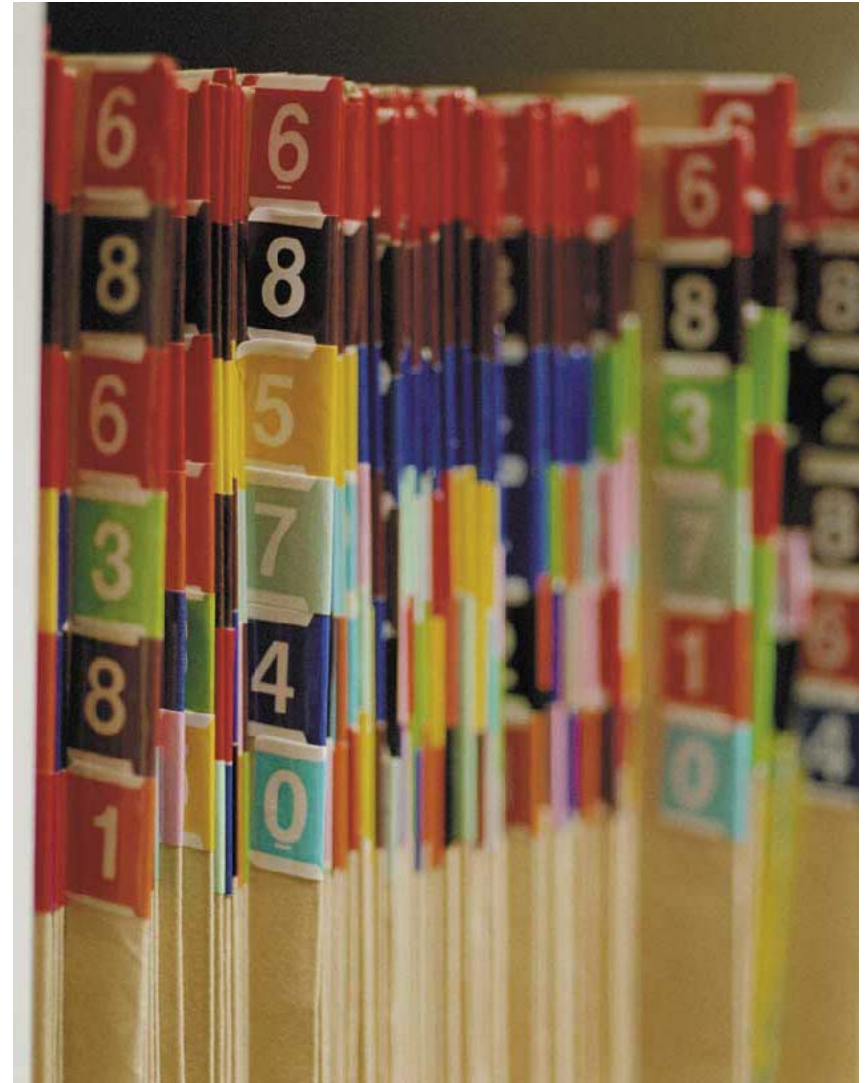
Best Practice: To file documentation immediately or as soon as feasibly possible that supports recordkeeping and operational activity in a consistent and organized manner that allows for quick reference upon request.

Note: It is not the responsibility of TDA to sort through unorganized documentation, it is the CEs responsibility to provide requested documentation in an organized and clear manner.



IMPORTANT TO REMEMBER

- If Information/documentation is not readily available, TDA has to assume the Financial Management System is not being maintained
- Readily available = Requested documentation (with very limited exceptions) should be organized in a manner that can be produced immediately



During an Administrative Review the CE, in regard to supporting documentation, is responsible for the following:

- Have all requested documentation detailed in the appointment letter available for TDA staff immediately upon arrival for AR
- Upon request, make available additional documentation requested by TDA in a reasonable period of time (rule of thumb, the day of the request) – remember it should be readily available
- Be aware and prepared for the fact that documentation over the past 3 Program years must be available at TDA's request pursuant to Federal regulations

FNS Instruction 796-4, Rev. 4 addresses acceptable financial management standards.

- At a minimum, a financial management system shall provide:
 - Accurate, current, and complete disclosure of financial transactions.
 - Full control over and accountability for all program assets.
- **Best Practice:** Tracking the usage of Program funds (cash = example of Program assets) by separating Program and non-Program activity in a consistent and clear manner.

Example of unclassified/non-coded financial information

- Issues
 - What is the cash balance at the end of June?
 - Does this capture all activity for the period?
 - What are these costs for specifically?
 - How do we compare this information to budget?

Super Awesome CE June XX Activity			
Description	#	Date	Amount
Executive Director Deposit	Deposit #1	6.1.XX	10,000.00
TDA Advance	Deposit #2	6.1.XX	50,000.00
Sysco	Check #100	6.3.XX	17,350.00
Cash Withdrawal	N/A	6.3.XX	1,000.00
Dairy Farm	Check #101	6.3.XX	2,120.00
Office Depot	Check #102	6.4.XX	448.00
Walmart	Check #103	6.4.XX	659.00
Target	Check #104	6.5.XX	176.00
HEB	Check #105	6.8.XX	58.00
Food Supply, Inc.	Check #106	6.12.XX	2,100.00
Walmart	Check #107	6.15.XX	94.00
Rental Property LLC	Check #111	6.15.XX	2,700.00
Gas Station	Check #112	6.15.XX	480.00
Payroll	Check #113	6.15.XX	21,432.00
Payroll Taxes	Check #114	6.15.XX	1,854.00
Van Rentals R Us	Check #115	6.20.XX	750.00

What is the cash balance at the end of June? - **\$8,799**

Does this capture all activity for the period? – **Double entry accounting & bank reconciliation (demonstrated on upcoming slides) helps ensure this**

What are these costs for? – **We have opted to code activity based upon budgeted line items**

How do we compare this information to budget? – **We will address in upcoming slides**

Super Awesome CE June 30, XX Working Trial Balance (FMS)			
Account	Description	Debit	Credit
1000	Cash	8,779.00	
2000	Related Party Loan		10,000.00
3000	Net Assets		-
4000	TDA Revenue		50,000.00
5000	Food	20,093.00	
5005	Non-Food Supplies	2,080.00	
5010	Operational Personnel	14,320.00	
5015	Fringe Benefits	1,239.00	
5020	Facility & Utility	2,200.00	
5025	Equipment Rental	750.00	
5030	Transportation	480.00	
5035	Other	460.00	
6000	Administrative Personnel	7,112.00	
6005	Fringe Benefits	615.00	
6010	Office Expense	448.00	
6015	Facility & Utility	500.00	
6020	Transportation	-	
6025	Audit Fees	-	
6030	Legal Fees	-	
6035	Other	-	
NP 1	Non-Program Expense	924.00	
	Total	60,000.00	60,000.00

Reconciliation is the general process of ensuring that two sets of records are in agreement and helps ensure the reliability of the financial records

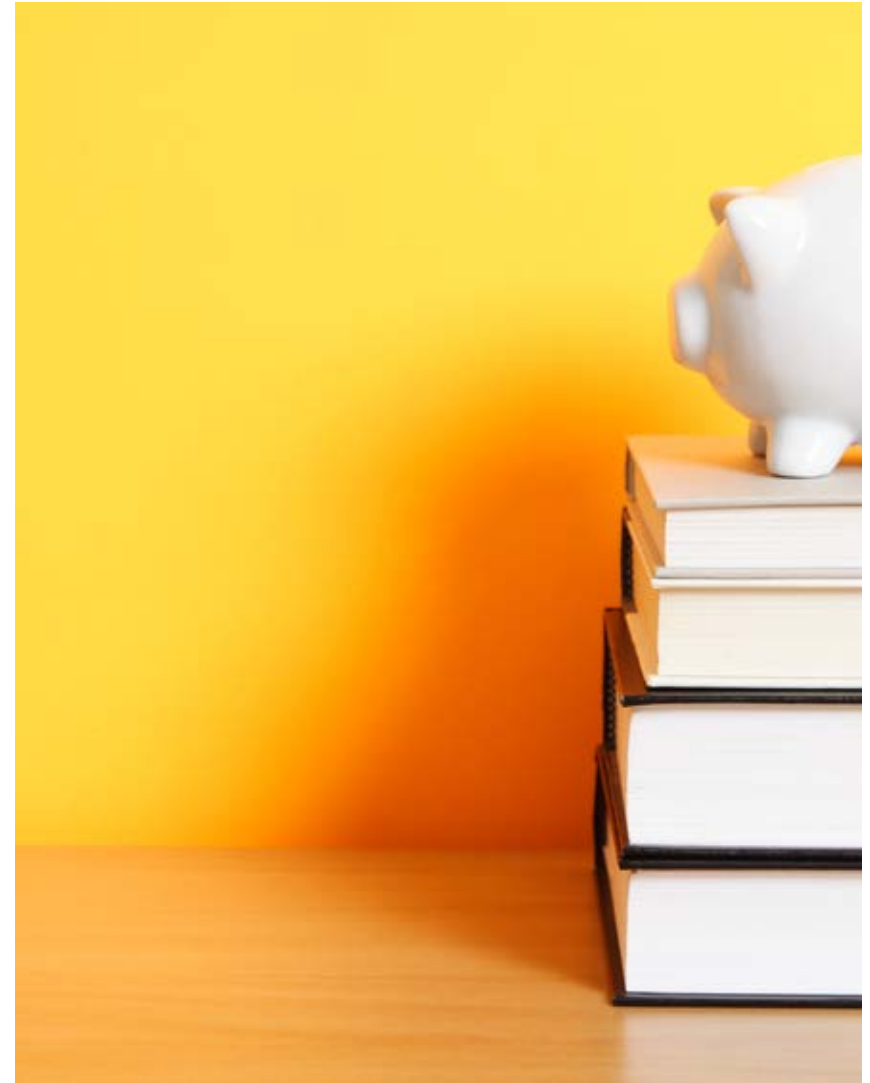
Bank reconciliation – process of agreeing bank statement balance to organization financial records (cash account)

Why is this important?

- Ensures that all cash transactions are included in the financial records
- Ensure the organization is aware of current cash balance in a timely manner (avoid over drafts)

Bank Reconciliation Steps

- Step 1 - Adjusting the Balance *per Bank*
 - *Does the bank statement accurately reflect all the activity in our General Ledger (GL or Books)?*
- Step 2 - Adjusting the Balance *per GL*
 - *Does our GL reflect all the activity noted in the bank statement?*
- Step 3 - Comparing the Adjusted Balances
 - *Do the adjusted balances for both our GL and the bank statement agree?*



Step 1 - Adjusting the Balance per Bank

	Bank Balance at 6.30.XX	62,946.00
Items Included in General Ledger NOT on Bank Statement:		
	<i>Check # 101</i>	(2,120.00)
	<i>Check # 108</i>	<u>(2,700.00)</u>
	ADJUSTED BANK BALANCE	<u><u>58,126.00</u></u>

Step 2 - Adjusting the Balance *per General Ledger*

General Ledger Balance at 6.30.XX	8,779.00
Items Included on Bank Statement NOT in General Ledger:	
6.6.XX ACH	(653.00)
6.30.XX Deposit	<u>50,000.00</u>
ADJUSTED GENERAL LEDGER BALANCE	<u><u>58,126.00</u></u>

Step 3 - Comparing the Adjusted Balances

ADJUSTED BANK BALANCE	58,126.00
ADJUSTED GENERAL LEDGER BALANCE	<u>58,126.00</u>
DIFFERENCE	<u><u>-</u></u>

BUT WAIT!!!!!!

What happens when we compare our ADJUSTED GENERAL LEDGER BALANCE to our current General Ledger Balance?

ADJUSTED GENERAL LEDGER BALANCE	58,126.00
CURRENT GENERAL LEDGER BALANCE	<u>8,779.00</u>
DIFFERENCE	<u><u>49,347.00</u></u>

- We have a difference.....but why?
- We do not have all the CE bank activity in our General Ledger!!

What do we do?

CURRENT GENERAL LEDGER BALANCE	8,779.00
Activity to Add to General Ledger:	
6.6.XX ACH	(653.00)
6.30.XX Deposit	<u>50,000.00</u>
	58,126.00
ADJUSTED BANK BALANCE	<u>58,126.00</u>
DIFFERENCE	<u><u>-</u></u>

- We need to include the missing activity in our General Ledger

Remember Double-Sided Entry Accounting?

- These entries below should be made to your FMS:

	<u>Cash</u>		<u>TDA Revenue</u>		<u>Fringe Benefits</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
TDA Advance	50,000.00			50,000.00		
Social Security		653.00			653.00	

As a result of performing the bank reconciliation:

- We ensured that we have all activity included in our Financial Management System
 - ***FNS Instruction 796-4, Rev. 4 addresses acceptable financial management standards.***
 - > ***At a minimum, a financial management system shall provide:***
 - ***Accurate, current, and complete disclosure of financial transactions.***
- We checked to see that the bank has not made any errors on their end (**believe me, it happens**)
- We avoided a potential finding during an Administrative Review in regards to a deficient Financial Management System

Per 7 CFR Part 225, “Sponsors must include on their applications a complete administrative and operating budget for State agency review and approval. A sponsor’s approved administrative budget shall be subject to subsequent review by the State agency for adjustments in projected administrative costs”

Budgets are created by the CE and approved by TDA, as applicable, for inclusion in the Program

Budgets allow a CE to plan, control and make decisions related to organization assets and resources

Many CEs fail to track and amend budgets to reflect actual amounts during the Program – The active use of budget is considered a **Best Practice**

Budget are meant to be helpful tools NOT a “check the box” exercise

Budgets are estimates (educated guesses) and accordingly can have a certain degree of error as a result of bad information and/or unexpected circumstances

Being “off” is acceptable but not tracking, analyzing and updating a budget based upon updated or current information could potentially lead to poor financial management when combined with other deficiencies within the organization

Term Introduction:

- Internal Control – something you do to make sure things (operations & finances) are correct

Not updating, analyzing and tracking your budget shows a lack of internal control around budgeting & is an indicator of an inadequate financial management system

Indicators = a trend or fact, that indicates the state or level of something (in this case, poor financial management)

A single indicator does not necessarily result in a determination of a poor financial management system being in place but is taken into consideration when making a final determination on the financial management system as a whole

Actual amounts that significantly deviate from budgetary amounts noted during an Administrative Review may be one indicator used in determining if the CE has an adequate Financial Management System in place

Example Budget 1

Budget Line Item	TDA Approved Budget	Monthly Budget Estimate	Actual Costs June	\$ Difference	% Difference
Operating Reimbursement	152,000.00	50,666.67	50,000.00	666.67	1.33%
Food	67,000.00	22,333.33	20,093.00	2,240.33	11.15%
Non-Food Supplies	6,000.00	2,000.00	2,080.00	(80.00)	-3.85%
Operational Personnel	40,000.00	13,333.33	14,320.00	(986.67)	-6.89%
Fringe Benefits	4,000.00	1,333.33	1,239.00	94.33	7.61%
Facility & Utility	6,000.00	2,000.00	2,200.00	(200.00)	-9.09%
Equipment Rental	2,000.00	666.67	750.00	(83.33)	-11.11%
Transportation	500.00	166.67	480.00	(313.33)	-65.28%
Other	<u>1,000.00</u>	<u>333.33</u>	<u>460.00</u>	<u>(126.67)</u>	<u>-27.54%</u>
	126,500.00	42,166.67	41,622.00	544.67	1.31%
Administrative Personnel	20,000.00	6,666.67	7,112.00	(445.33)	-6.26%
Fringe Benefits	2,000.00	666.67	615.00	51.67	8.40%
Office Expense	1,000.00	333.33	448.00	(114.67)	-25.60%
Facility & Utility	1,500.00	500.00	500.00	-	0.00%
Transportation	-	-	-	-	n/a
Audit Fees	-	-	-	-	n/a
Legal Fees	-	-	-	-	n/a
Other	<u>500.00</u>	<u>166.67</u>	<u>-</u>	<u>166.67</u>	<u>n/a</u>
	25,000.00	8,333.33	8,675.00	(341.67)	-3.94%
Total Costs	<u>151,500.00</u>	<u>50,500.00</u>	<u>50,297.00</u>	<u>203.00</u>	<u>0.40%</u>
Balance	<u>500.00</u>	<u>166.67</u>	<u>(297.00)</u>	<u>463.67</u>	<u>-156.12%</u>

Example Budget 2

Budget Line Item	TDA Approved Budget	Monthly Budget Estimate	Actual Costs June	\$ Difference	% Difference
Operating Reimbursement	381,000.00	127,000.00	50,000.00	77,000.00	154.00%
Food	160,000.00	53,333.33	20,093.00	33,240.33	165.43%
Non-Food Supplies	15,000.00	5,000.00	2,080.00	2,920.00	140.38%
Operational Personnel	95,000.00	31,666.67	14,320.00	17,346.67	121.14%
Fringe Benefits	12,000.00	4,000.00	1,239.00	2,761.00	222.84%
Facility & Utility	18,000.00	6,000.00	2,200.00	3,800.00	172.73%
Equipment Rental	8,000.00	2,666.67	750.00	1,916.67	255.56%
Transportation	3,000.00	1,000.00	480.00	520.00	108.33%
Other	<u>5,000.00</u>	<u>1,666.67</u>	<u>460.00</u>	<u>1,206.67</u>	<u>262.32%</u>
	316,000.00	105,333.33	41,622.00	63,711.33	153.07%
Administrative Personnel	50,000.00	16,666.67	7,112.00	9,554.67	134.35%
Fringe Benefits	5,000.00	1,666.67	615.00	1,051.67	171.00%
Office Expense	3,000.00	1,000.00	448.00	552.00	123.21%
Facility & Utility	5,000.00	1,666.67	500.00	1,166.67	233.33%
Transportation	-	-	-	-	n/a
Audit Fees	-	-	-	-	n/a
Legal Fees	-	-	-	-	n/a
Other	<u>2,000.00</u>	<u>666.67</u>	<u>-</u>	<u>666.67</u>	<u>n/a</u>
	65,000.00	21,666.67	8,675.00	12,991.67	149.76%
Total Costs	<u>381,000.00</u>	<u>127,000.00</u>	<u>50,297.00</u>	<u>76,703.00</u>	<u>152.50%</u>
Balance	-	-	<u>(297.00)</u>	<u>297.00</u>	<u>-100.00%</u>

Budgetary Analysis Considerations (**Best Practice**)

Set an Expectation:

- Budget to actual line items that vary by a predetermined \$ amount and/or % should be investigated further
- These predetermined amounts should be decided upon by management (what is “reasonable” and makes sense for your organization)
- Good rule of thumb is to investigate changes greater than 10%

Budgetary Analysis Considerations (**Best Practice**) – continued

Investigate Variances Greater Than Expectation:

- Why did variance occur?
 - Should budget be amended?
 - Document conclusions in writing – get credit for your work!
 - Include who performed & reviewed the work, if applicable
-
- Amend Budget as Needed

Helpful Hint: Just because the difference between a budgeted and actual amount is greater than your predetermined expectation, that doesn't mean you have to amend the budget, there could be reasons (timing of costs for one) for it, just be sure to DOCUMENT the reason! ***Documentation is key but what you state should be apparent & logical***

Example Budget 1: *Investigate any difference greater than 10%*

Budget Line Item	TDA Approved Budget	Monthly Budget Estimate	Actual Costs June	\$ Difference	% Difference	Budget Analysis
Operating Reimbursement	152,000.00	50,666.67	50,000.00	666.67	1.33%	ok
Food	67,000.00	22,333.33	20,093.00	2,240.33	11.15%	ok, given small \$ variance & timing
Non-Food Supplies	6,000.00	2,000.00	2,080.00	(80.00)	-3.85%	ok
Operational Personnel	40,000.00	13,333.33	14,320.00	(986.67)	-6.89%	ok
Fringe Benefits	4,000.00	1,333.33	1,239.00	94.33	7.61%	ok
Facility & Utility	6,000.00	2,000.00	2,200.00	(200.00)	-9.09%	ok
Equipment Rental	2,000.00	666.67	750.00	(83.33)	-11.11%	ok, given small \$ variance & timing
Transportation	500.00	166.67	480.00	(313.33)	-65.28%	ok, given small \$ variance & timing
Other	<u>1,000.00</u>	<u>333.33</u>	<u>460.00</u>	<u>(126.67)</u>	<u>-27.54%</u>	ok, given small \$ variance & timing
	126,500.00	42,166.67	41,622.00	544.67	1.31%	
Administrative Personnel	20,000.00	6,666.67	7,112.00	(445.33)	-6.26%	ok
Fringe Benefits	2,000.00	666.67	615.00	51.67	8.40%	ok
Office Expense	1,000.00	333.33	448.00	(114.67)	-25.60%	
Facility & Utility	1,500.00	500.00	500.00	-	0.00%	ok, given small \$ variance & timing
Transportation	-	-	-	-	n/a	ok
Audit Fees	-	-	-	-	n/a	ok
Legal Fees	-	-	-	-	n/a	ok
Other	<u>500.00</u>	<u>166.67</u>	<u>-</u>	<u>166.67</u>	<u>n/a</u>	<u>ok</u>
	25,000.00	8,333.33	8,675.00	(341.67)	-3.94%	
Total Costs	<u>151,500.00</u>	<u>50,500.00</u>	<u>50,297.00</u>	<u>203.00</u>	<u>0.40%</u>	
Balance	<u>500.00</u>	<u>166.67</u>	<u>(297.00)</u>	<u>463.67</u>	<u>-156.12%</u>	

Example Budget 2: Investigate any difference greater than 10%

Budget Line Item	TDA Approved Budget	Monthly Budget Estimate	Actual Costs June	\$ Difference	% Difference	Budget Analysis
Operating Reimbursement	381,000.00	127,000.00	50,000.00	77,000.00	154.00%	# of actual site less than expected, amend
Food	160,000.00	53,333.33	20,093.00	33,240.33	165.43%	# of actual site less than expected, amend
Non-Food Supplies	15,000.00	5,000.00	2,080.00	2,920.00	140.38%	# of actual site less than expected, amend
Operational Personnel	95,000.00	31,666.67	14,320.00	17,346.67	121.14%	# of actual site less than expected, amend
Fringe Benefits	12,000.00	4,000.00	1,239.00	2,761.00	222.84%	# of actual site less than expected, amend
Facility & Utility	18,000.00	6,000.00	2,200.00	3,800.00	172.73%	# of actual site less than expected, amend
Equipment Rental	8,000.00	2,666.67	750.00	1,916.67	255.56%	# of actual site less than expected, amend
Transportation	3,000.00	1,000.00	480.00	520.00	108.33%	# of actual site less than expected, amend
Other	<u>5,000.00</u>	<u>1,666.67</u>	<u>460.00</u>	<u>1,206.67</u>	<u>262.32%</u>	# of actual site less than expected, amend
	316,000.00	105,333.33	41,622.00	63,711.33	153.07%	
Administrative Personnel	50,000.00	16,666.67	7,112.00	9,554.67	134.35%	# of actual site less than expected, amend
Fringe Benefits	5,000.00	1,666.67	615.00	1,051.67	171.00%	# of actual site less than expected, amend
Office Expense	3,000.00	1,000.00	448.00	552.00	123.21%	# of actual site less than expected, amend
Facility & Utility	5,000.00	1,666.67	500.00	1,166.67	233.33%	# of actual site less than expected, amend
Transportation	-	-	-	-	n/a	# of actual site less than expected, amend
Audit Fees	-	-	-	-	n/a	# of actual site less than expected, amend
Legal Fees	-	-	-	-	n/a	# of actual site less than expected, amend
Other	<u>2,000.00</u>	<u>666.67</u>	<u>-</u>	<u>666.67</u>	<u>n/a</u>	# of actual site less than expected, amend
	65,000.00	21,666.67	8,675.00	12,991.67	149.76%	
Total Costs	<u>381,000.00</u>	<u>127,000.00</u>	<u>50,297.00</u>	<u>76,703.00</u>	<u>152.50%</u>	
Balance	<u>-</u>	<u>-</u>	<u>(297.00)</u>	<u>297.00</u>	<u>-100.00%</u>	

A large number of Administrative Review findings are the result of a lack of internal controls in place at the organization

Internal control is a process, effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives

WHAT DOES THAT MEAN?

Internal controls are the steps in place to make sure the organization is operating effectively – How we make sure the things we are doing are done right

Even the smallest of operations can and should have internal controls in place

- For example, when the Executive Director is the only one that can sign a CE check, that is a control (makes sure no unauthorized payments are made)!

Evidence of internal controls are generally incorporated in an organization's written policies and procedures

You are performing some kind of internal controls already even if its not written down (For example, not everyone in your organization has the ability to sign checks – that is a control) – Putting it in writing helps ensure accuracy & consistency!

Examples of Basic Internal Controls:

- Written Policies & Procedures
- Board of Director's Meeting (including documenting meetings in writing via minutes)
- Performance and review of monthly bank reconciliations
- Monthly review of financial statements (including a spot check of supporting documentation)
- Secondary approval on disbursements over a certain \$ amount
- Internal Training

**CAN YOU THINK OF ANY MORE
INTERNAL CONTROLS?**

ADDITIONAL INTERNAL CONTROLS

- No checks are signed without supporting documentation attached for review
- Review of weekly meal count sheets by someone who did not prepare (make sure the daily meal count sheet amounts add up to the weekly count sheet amount)
- Confirm that amounts delivered by food vendor agree to delivery ticket & subsequent invoice (make sure you are not paying for something you never received)
- Comparison & analysis of budget to actual results (if our original budget is off, we find out here and we investigate as to why)

Additional Examples of Internal Controls and Related Process:

- Double-Sided Entry System utilization (checks & balances)
- Collection & retention of supporting documentation
- Review and coding of expenditures
- Bank reconciliations
- Budget analysis
- Financial reviews (weekly, monthly, etc.)
- Board of Directors oversight

- The FMS is your responsibility & should reflect the CE operations completely
- Clearly separate Program activity from other CE operations
- OBTAIN & RETAIN documentation that clearly supports CE & Program activity
- Incorporate internal controls that help you created an adequate FMS
- If in doubt, ask questions!

Questions? Comments?

TOGETHER; WE ARE READY!!!